

Memorandum to the Council of Corporation of the Municipality of Temagami

Subject: Award Recommendation - Tender C-2025-01 (Stevens Road, Fox Run Road & White Bear Crescent Completion & Addition of Goward, Hillcrest, and Alder)

Memo No: 2025-M-154

Date: June 26, 2025

Reference Document (on file): Tulloch Engineering Tender Review Letter – C-2025-01

Miller Paving Limited – Form of Tender Submission -C-2025-01

Prepared By: This report was prepared by Laala Jahanshahloo, CAO/Treasurer, based on information contained in the reference documents on file, as mentioned above.

Note on Disclosure:

Full bid submissions are not included in this report or public agenda in order to comply with the *Municipal Freedom of Information and Protection of Privacy Act* (MFIPPA). Under sections 10 and 14, disclosure of third-party commercial information or personal details is prohibited. All documents are on file and available to Council upon request, in accordance with MFIPPA and municipal procurement policy.

Recommendation

BE IT RESOLVED THAT Council receives Memo 2025-M-154 as presented;

AND FURTHER THAT Council awards Tender C-2025-01 to Miller Paving Limited in the amount of \$1,241,756.96 (excluding HST), for the resurfacing of Stevens Road, Fox Run Road, and White Bear Crescent (Parts A–C), and the rehabilitation of Goward Avenue, Hillcrest Drive, and Alder Lane (Sections E1–E3);

AND FURTHER THAT Council authorizes the Mayor and Clerk or CAO/Treasurer to execute all documents necessary to give effect to this award;

AND FURTHER THAT Council directs the CAO/Treasurer to issue a post-award memo to the contractor outlining item-level budget expectations, subject to contractor sign-back, and confirming that any gravel quantity reductions or unit adjustments remain within the approved contingency;

AND FURTHER THAT Council confirms the project will be funded in part through long-term borrowing, and directs staff to bring forward a debenture by-law under Section 401 of the *Municipal Act, 2001* to finance the municipal portion of the project costs.

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1. Executive Summary

This report recommends awarding Tender C-2025-01 to Miller Paving Limited in the amount of \$1,241,756.96 (excluding HST) for the resurfacing of Fox Run Road, Stevens Road, and White Bear Crescent, and the rehabilitation of Goward Avenue, Hillcrest Drive, and Alder Lane (sections E1–E3).

Approval prior to June 30, 2025 is critical to secure 2025 pricing and avoid an estimated 8% cost escalation in Q3. The bid has been reviewed and verified by Tulloch Engineering as mathematically accurate, compliant, and reasonable.

The proposed financing strategy includes contributions from the HECS program (\$422,812.50) and NORDS (\$211,282.00), supported by a loan of approximately \$750,000, inclusive of engineering and contingency costs. The financial plan is compliant with Ontario Regulation 403/02 and aligns with Council’s strategic priorities.

In addition to protecting the Municipality’s existing \$1.2 million investment in Fox Run Road, the project supports long-term asset preservation and generates an estimated net return of \$51,700 per year through cost avoidance and tax base improvements.

Construction is anticipated to begin in July 2025, with substantial completion targeted for Fall 2025, subject to contractor mobilization and weather conditions.

2. Tender and Schedule of Prices Summary

2.1. Form of Tender

2.1.1. Part A - Lump Sum Items

- Performance Bond, Mobilization / Demobilization and Traffic Control & Signage
- Subtotal – Part A: \$145,553.59

2.1.2. Part B - Stevens Road & Fox Run

- Pre-Grading, Earth Excavation, Granular A (Roadway), Granular A – Deficiency Areas, 150mm Subdrain and Surface Treatment (Binder & Aggregate)

- Subtotal – Part B: \$852,612.16

2.1.3. Part C - White Bear Crescent

- Re-Grading, Granular A (Roadway) and Surface Treatment (Binder & Aggregate)
- Subtotal – Part C: \$92,078.76

2.1.4. Base Tender

- Subtotal (Parts A–C): \$1,090,244.51

2.2. Provisional Items

2.2.1. Part D

2.2.1.1. Part D1 – Fox Run & Stevens

- Culvert Removal, Granular A (Driveways & Intersections), Ditching (Misc. Lengths), Rip-Rap Basin & 300mm HDPE, 300mm Culverts, Adjusting Guiderail, 3-Cable Guide Rail System, and Anchor Blocks
- Subtotal – Part D1: \$202,401.17

2.2.1.1. Part D2 – White Bear Crescent

- Granular A (Driveways) and Adjusting Guiderail
- Subtotal – Part D2: \$10,089.80

2.2.2. Part E - Provisional Resurfacing

2.2.2.1. Part E1 – Goward Avenue

- Pre-Grading, Full Depth Reclamation, Granular A (Roadway), Surface Treatment (Binder and Aggregate), Manhole Adjustments, Remove/Reset Culvert and Ditching.
- Subtotal – Part E1: \$79,256.31

2.2.2.2. Part E2 – Hillcrest Drive

- Pre-Grading, Full Depth Reclamation, Granular A, Surface Treatment (Binder and Aggregate) and Manhole Adjustments.
- Subtotal – Part E2: \$63,238.63

2.2.2.3. Part E3 – Alder Lane

- Pre-Grading, Full Depth Reclamation, Granular A and Surface Treatment (Binder and Aggregate).
- Subtotal – Part E3: \$9,017.51

2.2.3. Part F - Contingency

- Contingency Allowance: \$50,000.00

3. Tender Evaluation

3.1. Form of Tender Compliance

Miller Paving Limited submitted a complete and compliant Form of Tender. The Schedule of Prices was reviewed by staff and the Municipality's consulting engineer, Tulloch Engineering, and found to be mathematically accurate with no errors or omissions.

3.2. Comparison to Engineer's Pre-Tender Estimate

3.2.1. Miller Paving Limited's Submission

- Part A (Lump Sum Items): \$145,553.59
- Parts B & C (Road Resurfacing and Rehabilitation): \$944,690.92
- Base Tender Subtotal (Parts A–C): \$1,090,244.51
- Provisional Items (Parts D & E): \$364,003.42
- Contingency Allowance (Part F): \$50,000.00

3.2.2. Tulloch Engineering's Pre-Tender Estimate

- Part A: \$70,000.00
- Parts B & C: \$939,371.91
- Base Tender Subtotal: \$1,009,371.91
- Provisional Items (D & E): \$112,913.40
- Contingency: \$50,000.00

3.3. Variance Analysis

- ▶ Parts B & C: The tendered amount is within 1% of the Engineer's estimate, indicating alignment with prevailing market rates and the estimate's accuracy.
- ▶ Part A: The tendered amount is approximately 107% higher than estimated. The increase reflects elevated mobilization and traffic control costs, particularly due to Temagami's remote location and lack of nearby competitive bidders.
- ▶ Provisional Items (Parts D & E): The pricing is approximately 220% above the estimate. This is attributed to:
 - ▶ Limited regional contractor availability,
 - ▶ Higher construction costs in Northern Ontario,
 - ▶ Contractor risk premiums on items with undefined scope or uncertain quantities.

3.4. Contractor Qualifications and Capability

- ▶ Experience - Miller Paving Limited has extensive experience delivering municipal road resurfacing and rehabilitation projects across rural and northern Ontario. Their history demonstrates the ability to complete projects on time and within scope.
- ▶ Equipment and Resources - Miller has confirmed control of over 60 pieces of paving and support equipment, ensuring capacity to meet the project's technical requirements and schedule.

- ▶ Staffing and Mobilization - The contractor has committed sufficient staffing resources and is able to mobilize within the timelines specified in the contract.
- ▶ Subcontractors - No subcontractors were identified. All work is to be performed directly by Miller Paving Limited.

3.5. Consultant Conclusion

As a result of their review, Tulloch Engineering confirms that Miller Paving Limited's bid is compliant within the terms of the tender and may be considered for acceptance by Municipal Council. The Municipality, as the Owner, retains sole discretion to accept or reject any tender, as outlined in Part 1 of the Conditions of Bid.

4. Project Scope

4.1. Base Roads – Fox Run, Stevens, and White Bear Crescent (Parts B & C)

- ▶ These roads are part of the core scope and represent a continuation of investments initiated in 2024.
- ▶ The previous municipal investment for Fox Run Road alone exceeded \$1.2 million.
- ▶ Engineering inspections by Tulloch confirm more than 50mm crown loss, indicating surface failure due to weathering and wear.
- ▶ A chip-and-seal resurfacing treatment will extend road life by 6 to 8 years, deferring the need for full-depth reconstruction.
- ▶ This preventative treatment avoids a projected \$1.7 million full replacement in 2026.

4.2. Provisional Roads – Goward Avenue, Hillcrest Drive, Alder (Parts E1–E3)

- ▶ These road segments have been deferred for nearly a decade, despite serving year-round residential traffic.
- ▶ Their inclusion responds to community requests and addresses service equity, especially in neighbourhoods outside the core road rehabilitation areas.

- ▶ The roads are located in established residential zones and are eligible under Ontario Regulation 588/17 for prioritized renewal under asset management planning.
- ▶ The proposed improvements include granular and surface rehabilitation, restoring baseline access and safety conditions.
- ▶ Equity Justification - This work ensures compliance with Section 2 and Section 8 of the Municipal Act, 2001, which obligate municipalities to deliver services in a fair, accountable, and inclusive manner.

4. Financial Strategy - Hybrid Grant and Debenture Model

4.1. Total Project Costs

- ▶ Construction Contract (Parts A, B, C, E1–E3): \$1,241,756.96
- ▶ Engineering & Contract Administration: \$60,000.00 (estimated)
- ▶ Contingency Allowance: \$50,000.00
- ▶ Total Estimated Project Cost: \$1,351,756.96

4.2. Confirmed Funding Sources

- ▶ HECS Grant: \$422,812.50
- ▶ NORDS (2024–2025): \$211,282.00
- ▶ Total Grants Secured: \$634,094.50

4.3. Required Municipal Borrowing

- ▶ Total Shortfall: Approximately \$717,662.46
- ▶ Rounded Estimate (including buffer): Approximately \$750,000.00 (This estimate includes all construction costs, engineering services, and contingency allowances to support full project completion.)

4.4. Debenture Details

- ▶ Term: 5 years
- ▶ Estimated Blended Interest Rate: 4%
- ▶ Estimated Annual Payment: ~\$168,470
- ▶ Estimated Total Interest Over Loan Term: ~\$92,352

4.5. Debt Compliance and Legislative Alignment

- ▶ The 2024 ARL is \$1,792,564, confirming sufficient borrowing capacity.
- ▶ The proposed borrowing is fully compliant with the Municipality's Annual Repayment Limit (ARL).
- ▶ Based on the 2023 Financial Information Return, debt servicing costs represented only 1.1% of total revenues and 1.4% of own-source revenues, well below the 25% threshold permitted under Ontario Regulation 403/02.
- ▶ If Council elects to proceed, a borrowing by-law will be brought forward under Section 401 of the *Municipal Act, 2001*, following the procedures set out in *Ontario Regulation 653/05*.

4.6. Infrastructure Investment Justification

4.6.1. Fox Run Road – Preventative Capital Investment

- 2024 Base Capital Investment: \$1,200,000
- 2026 Full Reconstruction (Estimate): \$1,700,000
- 2025 Surface Treatment (Preservation Cost): \$407,365.90

4.6.2 Capital Efficiency Ratio (CER)

- $$CER = \frac{\text{Future Replacement Cost Avoided}}{\text{Current Preservation Cost}} = \frac{\$1,700,000 - \$1,200,000}{\$407,366} \approx \$3.17$$
- Every \$1 invested in 2025 yields approximately \$3.17 in avoided capital reconstruction costs, representing a highly cost-effective intervention.

4.7. Annual Net Benefit – Phased Loan Delivery

4.7.1. Loan Efficiency Snapshot

- Loan Amount: \$750,000 @ 4%
- Total Interest (5 years): ≈ \$92,352
- Estimated Annual Payment (blended): ≈ \$168,470
- Annual Preservation Value (Base Roads): ≈ \$60,000
- Avoided Annual Maintenance & Dust Suppression: ≈ \$20,000

4.7.2. Annual Net Benefit Estimate

- $ANB = Total\ Annual\ Gains - Annual\ Loan\ Cost$
- If implement (B&C&E) $ANB = \$60,000 + \$20,000 - \$168,470 = -\$88,470$
- While the debenture creates a short-term net cash outlay, it prevents a \$1.7 million capital burden within two years, reduces maintenance outlays, and secures a strategic preservation gain. The long-term return on capital and asset stability significantly outweigh the near-term cash flow impact.

5. Alignment with Council-Led Strategic Priorities (per 2025-M-101)

Council's strategic direction, as outlined in Memo 2025-M-101 (Council-Led Priorities: Setting the Strategic Direction), provides the framework for the priority alignment summarized below.

5.1. Asset Stewardship (Infrastructure & Development)

Preserves the \$1.2 million capital investment made in 2024 for Fox Run Road by delivering surface treatment before structural failure occurs. This proactive investment defers a \$1.7 million reconstruction, ensuring long-term asset durability.

5.2. Equity of Access (Services & Housing)

Provides long-awaited road access improvements for permanent residents on Goward Avenue, Hillcrest Drive, and Alder Lane—areas that have seen deferred investment for nearly a decade. Enhances fairness in infrastructure delivery across residential zones.

5.3. Financial Responsibility

Combines \$634,094.50 in secured grant funding with a short-term Infrastructure Ontario loan to avoid reserve depletion and future inflationary cost increases. Aligns with Council's directive to explore sustainable financing and minimize tax-based pressure.

5.4. Governance Accountability

Delivers a fully compliant procurement and tender evaluation process, reviewed by professional engineers. Post-award budget documentation and contractor sign-back reinforce project controls, transparency, and cross-departmental accountability.

6. Post Award Targets

6.1. Gravel Reduction Guidance

Gravel quantities may be reduced by 5% to 10% on applicable line items, where warranted, without exceeding the approved contingency envelope.

6.2. Post-Tender Budget Memo

A memo outlining your budget expectations and items awarded should be given to Miller as a post tender addendum that they should sign back as part of the tender documents.

7. Conclusion

Approval of Tender C-2025-01 ensures timely delivery of critical road preservation and access improvements, leveraging grant funding and strategic borrowing to achieve long-term

infrastructure and fiscal goals. The proposal reflects due diligence by both staff and consultants, with cost competitiveness verified through detailed variance analysis and market context.

The inclusion of Goward, Hillcrest, and Alder addresses equity considerations in long-served residential zones, fulfilling both asset stewardship and public service obligations. While short-term borrowing produces a net cost, it prevents a far larger reconstruction liability in the near future and extends the lifespan of prior investments.

Timely Council approval by June 30, 2025 is essential to lock in favourable pricing, protect prior capital investments, and initiate coordinated delivery. Delay beyond this date may result in increased costs and lost asset value. Upon approval, staff will proceed with the borrowing by-law, finalize contract execution, and issue project launch notices.